

Chief Financial Officer's Report to
Priorities and Finance Committee
2020 June 09

ISC: UNRESTRICTED
PFC2020-0561

City of Calgary Investment & Governance Policy

EXECUTIVE SUMMARY

A new suite of policies was created to oversee The City's investment management processes. The policies will ensure that there is proper structure and oversight confirming The City's investments are optimally managed to help meet the needs of The City. The new policies will include policy CFOXXX - The City of Calgary Investment and Governance Policy along with two new administration policies that will be approved by the CFO. The Council approved policy will be focused on process, procedures and delegation of authority to those responsible for the day to day operation of the investments, while the Administrative policies will focus on the day to day operational needs and overall strategic direction of the investments. The two new administration policies are the Funds Admin Policy and the Portfolios Admin Policy.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee:

1. Recommends that Council approve the City of Calgary Investment & Governance Policy (Attachment 1); and
2. Forwards this report as an item of Urgent Business to the 2020 June 15 Combined Meeting of Council.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2020 JUNE 09

That Council approve the City of Calgary Investment & Governance Policy (Attachment 1).

PREVIOUS COUNCIL DIRECTION / POLICY

The City of Calgary's investments are currently governed under the *CFO001- The City of Calgary Investment Governance Policy* (FCS2004-14/last amendment 2012 July 16 PFC2012-0388) and *CFO007 – Investment Policy* (FB95-57/last amendment 2016 July 25).

BACKGROUND

In 2019, the Treasury Division conducted a review of the current *CFO001 The City of Calgary Investment Governance Policy* and the *CFO007 Investment Policy*. After the review of the existing policies, current industry best practices, and the need of The City it was identified that revisions to the framework and governing documents on how The City's investments were managed was needed. The original Investment Policy was written in 1995 and while amended many times, the original investment structure had been kept in place.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Stakeholder Engagement, Research and Communication

The new policies were developed by the Treasury team with considerable input from the Investment Advisory Committee (IAC). The policies were brought to the IAC on multiple

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occasions where they were discussed at length as to its contents and format. Members of the IAC met with the Treasury team individually outside of the IAC meetings to give their feedback and insight into the policy documents. In addition to IAC, on 2020 January 24 the team gave a presentation to the members of Audit Committee and received feedback from the members and presented an education session to the Priorities and Finance Committee on 2020 June 2 June.

Strategic Alignment

The City of Calgary sets aside money to meet current and future obligations of The City. The role of the investment policy is to ensure that the money that has been set aside is being invested according to the needs or obligations that they are meant to meet. All City of Calgary funds have been set aside or earmarked for a specific purpose, each having its own objective; whether it be capital preservation, inflation protection, income production or capital growth. The new Investment Policy will allow for more strategically aligned investment portfolios that will be designed to meet the specific needs of those capital funds and will better assist in helping to fulfill those identified objectives.

With the development of the new policy, consideration was given to the implementation of modernized methodologies and processes, while incorporating elements of the existing investment structure. The process focused on the source and purpose of the funds being invested, in addition to identifying an investment structure suitable for the achievement of the objectives.

Social, Environmental, Economic (External)

The Investment and Governance Policy indicates that consideration will be given to Environmental, Social and Governance factors in the investment process. Having this consideration will ensure staff consider these factors when implementing the Investment Policy and this will help The City understand the risks and how to mitigate them.

Financial Capacity

Current and Future Operating Budget:

The new policy will allow The City's assets to be invested and better aligned with the purposes of the funds or the liabilities they are trying to offset. This should, over the long run, reduce the potential for unexpected operating budget shortfalls which would then be needed to be covered by other revenue sources.

Current and Future Capital Budget:

The new policy will allow The City's assets to be invested and better aligned with the purposes of the funds or the liabilities they are trying to offset. This should, over the long run, reduce the potential for unexpected operating budget shortfalls which would then be needed to be covered by other revenue sources.

Risk Assessment

There are significant risks in any investment program including but not limited to equity, interest rate and currency risks. It is recognized that a certain amount of risk is required to earn a rate of

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return on investments. The City's approach is to invest in a prudently managed, well diversified portfolio that looks to maximize the risk adjusted return of the portfolio.

The risk of not approving the new policy is that The City's assets are not invested optimally to meet the objectives of those funds being invested. Misalignment of the objectives and the investments could result in a short and long-term shortfall that would have to be covered in some other manner.

REASON(S) FOR RECOMMENDATION(S):

The new policy will ensure The City's assets are invested to meet the objectives of those assets.

ATTACHMENT(S)

1. Attachment 1 – Council Policy - Investment and Governance Policy
2. Attachment 2 – Internal Policy - Funds Policy
3. Attachment 3 – Internal Policy - Portfolios Policy